

United States Information Agency

**Office
of
INSPECTOR GENERAL**

SEMIANNUAL REPORT TO THE CONGRESS



April 1, 1993 - September 30, 1993

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**This report has been provided, through the
Director of the United States Information Agency,
to the following Congressional oversight committees:**

**Senate Committee on Appropriations
Senate Committee on Foreign Relations
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Committee on Foreign Affairs
House Committee on Governmental Affairs**

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United States Information Agency

Washington, D.C. 20547



INSPECTOR GENERAL

October 29, 1993

The Honorable Joseph D. Duffey, Director

The semiannual report of the Inspector General covering the six month period from April 1, 1993 through September 30, 1993 is hereby forwarded to you in accordance with the Inspector General Act of 1978, as amended. The Act requires that this report be transmitted to the appropriate committees of Congress within 30 days of receipt.

This period has been one of transition for the Office of Inspector General. It has been highlighted by the appointment of an Acting Inspector General and the refocusing of the office's mission, especially regarding its relationship with the Agency and overseas inspections.

Several overseas inspections have been initiated to reinvigorate this facet of the Inspector General's operation and to assist USIA management in evaluating and optimizing their staffing and budgetary requirements. The results of these efforts have been rewarding, not only from an IG perspective, but, and of equal importance, in helping to establish a meaningful dialogue between USIA and the Office of the Inspector General. I assure you that this office will continue to foster this rapport and will seek to increase and enhance it in forthcoming periods.

It is essential, especially during this period of fiscal restraint and proposed organizational consolidations, that Inspectors General be innovative in the performance of their statutory missions, in establishing priorities and in making significant recommendations. Therefore, while the primary mission of this office will continue to be based on our statutory obligations as spelled out in the Inspector General Act, increased emphasis will be placed on the evaluation of the overall worthiness of Agency programs as useful and beneficial functions. Increased efforts will also be made to bring to closure a number of recommendations previously made by this office, especially those regarding monetary issues.

Your cooperation and support of our mutual goals of enhancing the efficiency and operational effectiveness of USIA is greatly appreciated.

A handwritten signature in dark ink, appearing to read "Terence J. Shea".

Terence J. Shea
Acting Inspector General

INSPECTOR GENERAL ACT OF 1978



Purpose:

In order to create independent and objective units ... there is hereby established in each of such establishments an office of Inspector General.

Duties and Responsibilities:

(a) It shall be the duty and responsibility of each Inspector General with respect to the establishment with which his Office is established...

(1) to provide policy direction for and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of such establishment:

(3) to recommend policies for and to conduct, supervise, or coordinate other activities carried out or financed by such establishment for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.

(5) to keep the head of such establishment and the Congress fully and currently informed, by means of the reports required in section 5 and otherwise, concerning fraud and other serious problems, abuses, and deficiencies ..., to recommend corrective action concerning such problems, abuses and deficiencies, and to report on the progress made in implementing such corrective action.

Semiannual Reports:

(a) Each Inspector General shall, not later than April 30 and October 31 of each year, prepare semiannual reports summarizing the activities of the Office during the immediately preceding six-month periods ending March 31 and September 30.

Excerpt from Public Law 95-452, as amended.

Office
of
INSPECTOR GENERAL

SEMIANNUAL REPORT
To The Congress

Issue: 93-II

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DIGEST

This report is issued pursuant to the Inspector General Act of 1978, as amended. The report covers the six month period from April 1, 1993, through September 30, 1993.

HIGHLIGHTS OF ACTIONS THIS PERIOD

Need for Improved Reporting of Contractor Payments to the Internal Revenue Service

OIG estimates that USIA underreported to the Internal Revenue Service about \$32 million in payments to contractors during 1992 because of reporting system weaknesses. The payments related primarily to domestic contract awards. (See page 4.)

USIA Central America - Realistic Programming Priorities Required

Reduced geopolitical importance of the Central American sub-region has resulted in reductions of American and Foreign Service National (FSN) staff, but realistic changes to program priorities were not made to reflect this downsizing. In addition, there were regional issues common to all posts that need to be addressed such as the implementation of new technology in the areas of office management and telecommunications, FSN training and local compensation plans relating to wages, retirements, and health benefits. (See page 5.)

Misuse of Federal Funds at a USIS Post

Payment vouchers of a USIS public affairs officer indicated a pattern of unauthorized recurring monthly disbursements for personal maid services from August 1987 through May 1991, totalling approximately \$11,755. (See page 6.)

OIG Assisted USIA in Expediting Freedom Support Act Grants

OIG reviewed the accounting systems of first-time grantees who were awarded \$2,582,670 worth of grants by USIA in connection with the Freedom Support Act, Secondary School Exchange Initiative. OIG assisted USIA in this effort by developing expedited procedures for conducting preaward surveys of first-time grantees and by improving the grant solicitation process for fiscal year 1994. (See page 7.)

**Convictions and
Indictments**

During this period there were two convictions and three declinations of prosecution in favor of administrative remedy by USIA. Six investigations are pending at the Department of Justice for suspected Federal criminal violations. One is under review for civil prosecution. (See pages 8 and 12.)

HIGHLIGHTS OF FOLLOW-UP ACTIONS

**USIA Diligent in Seeking
Savings on International
Airline Travel**

USIA's Travel Management Center (TMC) did not provide rebates for international as it did for domestic airline travel. USIA had been diligently pursuing alternative arrangements and reports that the General Services Administration was considering the inclusion of international airline ticket rebates in future TMC contract solicitations. USIA estimated it could save \$500,000 annually if such rebates were included in future TMC contracts. (See page 9.)

**Staffing Level Reduced
at USIS Philippines**

A number of areas were identified at USIS Philippines where efficiencies could be improved and economies effected. Annual savings of \$30,000 have been achieved through staff reductions. Additional annual savings of over \$50,000 are possible by implementing other OIG recommended actions. (See page 10.)

**Settlement Reached on
Seville Expo '92 Construc-
tion Costs**

USIA was awaiting concurrence from the House Appropriations Committee before paying the Seville Expo '92 construction contractor's claim related mostly to cost overruns on four unilateral change orders. Concurrence was obtained and final settlement of \$1.4 million has been reached with the contractor. (See page 10.)

**J-Visa Fraud Results in
Criminal Prosecution**

An employee of an educational institution was prosecuted and found guilty of fraud and theft relating to J-Visa authorization forms. (See page 12.)

**Improved Property Man-
agement System Sched-
uled for Fiscal Year 1994**

An improved property management system utilizing an off-the-shelf software program is scheduled for implementation in fiscal year 1994. (See page 12.)

STATISTICAL SUMMARY

I. Activities

Audit and Inspection Reports Issued	24
(See Appendix A)	
Investigations Closed	9
(See Appendix B)	

II. Potential Savings From Reports Issued This Period

Questioned Costs	\$ 189,066
(See Appendix A)	
Recommendations that Funds Be Put to Better Use	\$ 1,502,300
(See Appendix A)	
TOTAL	\$ 1,691,366

III. Monetary Impact From Reports For Which Decisions Were Made This Period

Questioned Costs Sustained	\$ 351,873
(See Appendix C)	
Funds Put to Better Use	\$ 45,500
(See Appendix D)	
Investigative Restitutions	\$ 3,025
(See Appendix B)	
TOTAL	\$ 400,398

IV. Reports With Monetary Impact for Which No Decisions Were Made This Period

Number Less Than Six Months Old	6
Dollar Value	\$ 5,191,366
(See Appendices C and D)	
Number More Than Six Months Old	13
Dollar Value	\$ 4,011,357
(See Appendices C and D)	

OPERATIONAL ACTIVITIES

Office of Inspector General activities during this period identified problems in USIA relating to financial management, overseas post management, grants management and broadcasting operations. Investigations relating to criminality and employee misconduct were also conducted.

FINANCIAL MANAGEMENT

Need for Improved Reporting of Contractor Payments to the IRS

Approximately \$32 million in payments underreported in FY92

General lack of understanding of IRS Form 1099

As part of a government-wide initiative of the Commissioner, Internal Revenue Service (IRS), OIG reviewed USIA's compliance with IRS requirements regarding the reporting of payment information via IRS Form 1099. The review focused primarily on domestic contract awards and payments made to Voice of America broadcast talent vendors.

OIG estimated that USIA underreported approximately \$32 million in such domestic payments during 1992 due to the following reporting system weaknesses:

- ❑ Lack of an integrated procurement system to identify, collect, process, and promptly report Form 1099 information to the IRS. This weakness stemmed from an inefficient automated system to match the forms with contract or accounting data, and decentralized records which could not be cross-referenced by vendor name and contract or purchase order number.
- ❑ A general lack of understanding of Form 1099 reporting requirements by USIA personnel who had the responsibility to acquire, accumulate, and report tax information. This problem was caused by the inability to determine what constitutes a proper Taxpayer Identification Number (TIN), the inability to link the type of TIN with an identification of payee types, and the lack of clear guidelines for identifying reportable vendors.
- ❑ Little emphasis on small purchase compliance reviews and backup withholding.

According to the IRS, reporting 1099 payments would improve voluntary compliance and provide the IRS with an important tool to detect unreported income or unfiled tax returns, thereby providing additional tax revenue. Based on

IRS experience factors, if the \$32 million had been reported, it could have generated approximately \$1.4 million in additional Federal tax revenues.

OIG recommended the Bureau of Management (M Bureau) take actions to correct the above reporting system weaknesses. This would include establishing detailed written 1099 reporting procedures, training key personnel, and validating each contractor's name, address, corporate status, and TIN before paying the contractor. M Bureau concurred with these recommendations.

OVERSEAS POST MANAGEMENT

USIA OPERATIONS IN CENTRAL AMERICA

Realistic program priorities required in response to downsizing of U.S. Missions and USIS Posts

Reimbursement of \$3000 for personal use of official vehicles recommended

OIG conducted a review of USIA's operations in five Central American countries (Costa Rica, Nicaragua, Honduras, El Salvador, and Guatemala). OIG also visited Panama to verify that recommendations made in a 1990 inspection report had been implemented, and Belize to examine issues concerning the Voice of America relay station at that location.

USIS operations were generally well integrated into U.S. missions and making important contributions to mission program goals. In some posts, the public diplomacy component of the mission's activities were cited by Ambassadors as an indispensable tool for achieving U.S. foreign policy goals. The downsizing of U.S. missions and USIS staffs that had taken place over the 3 years immediately preceding the review had caused some strain on USIS staffs as program levels had not changed as rapidly as the resources needed to achieve program objectives. The result was that in some posts USIS staff was spread too thin and trying to do too much. Setting realistic program priorities and establishing good management practices are essential in a period of diminishing resources.

OIG recommended the assignment curtailment of a supervisory USIS officer for deficiencies in program direction; in two other cases, OIG recommended that senior officers reimburse the government almost \$3,000 for expenses incurred as the result of personal use of official vehicles. The curtailment was effected and the reimbursements were made.

The reduction in American and Foreign Service National (FSN) employees that had taken place over the last 3 years

Highly motivated and trained Foreign Service Nationals essential

plus the introduction of increasingly complex technology places a high premium on having highly motivated and trained FSN staff to carry out the essential information and exchange programs. More attention needs to be paid to their training and to their benefits packages (health and retirement plans) and wage levels. If further personnel cuts take place in the area—and this seems highly likely—the level of preparedness of FSN employees will be critical to USIS operations in Central America. The likelihood of further personnel cuts should also move USIA to consider the assignment of regional responsibilities to FSN employees.

In addition, OIG recommended corrective measures for several regional deficiencies:

- A survey of the long-term effectiveness of the Central American Program of Undergraduate Scholarships should be conducted. The program is in its eighth year and should be reviewed.
- Physical security over J-Visa forms needed improvement to prevent use of these forms for fraudulent purposes.
- The use of audience identification and tracking systems was inconsistent throughout the sub-region with some posts making better use of this technology than others.

**Misuse of Federal Funds
at a USIS Post**

*\$11,755 in payments
made for unauthorized
personal maid services*

Payment vouchers of a USIS public affairs officer (PAO) indicated a pattern of unauthorized recurring monthly disbursements for personal maid services from August 1987 through May 1991 totalling approximately \$11,755. Only PAOs with official residence expense authorizations are allowed to be reimbursed for household expenses, up to a specified limit, and then only after an automatic 5 percent salary reduction is processed.

A post management assistance officer (PMAO) visit report, dated November 23, 1990, notified the executive officer of the region, and Bureau of Management of the unauthorized disbursements but, apparently, no action was taken.

OIG recommended that the bureau's associate director direct the Financial Operations Division to seek recovery of payments to which the PAO was not entitled and, in consultation with the ethics officer, review this matter for appropriate disciplinary action. In addition, the associate director and the area director are to determine if any action was taken concerning the PMAO post visit report and, if not, implement procedures to ensure that appropriate actions are taken regarding such reports in the future.

GRANTS MANAGEMENT

OIG Assisted USIA in Expediting Freedom Support Act Grants

OIG reviewed the accounting systems of first-time grantees who were awarded \$2,582,670 worth of grants by USIA in connection with the Freedom Support Act, Secondary School Exchange Initiative. Because of the size and limited time available to implement the program, OIG developed an expedited procedure for conducting preaward surveys of first-time grantees. This procedure resulted in the issuance of reports on 16 grantees.

Based on the experience gained in these reviews, OIG was able to assist USIA in improving the grant solicitation process for fiscal year 1994 Freedom Support Act grants. For example, USIA is prepared to provide first-time grantees with copies of all applicable Office of Management and Budget circulars and an OIG-prepared financial management policies checklist.

BROADCASTING OPERATIONS

Action Being Taken to Increase the Use of the Bureau of Broadcasting's Mobile Broadcast Studio

OIG received an allegation that budget and technical problems had limited the Bureau of Broadcasting's (B Bureau) mobile broadcast studio, acquired for \$361,000, to the point that it was not cost-effective. Since the mobile studio had been in use for only 5 months at the conclusion of OIG's review, there was insufficient operational experience to determine whether it was cost-effective. However, several factors raised serious concerns about whether the studio's use would justify its continued retention by USIA. For example, the use of the mobile studio had been limited because of insufficient travel funds, as well as the broadcast divisions' unwillingness to fund some proposed trips because the studio's programming was considered a low priority. In addition, B Bureau did not

conduct sufficient advance planning to justify the purchase and use of the mobile studio.

Since OIG completed its audit work, the use of the mobile studio has increased and B Bureau officials stated that they would complete the implementation of procedural and budget guidelines for the studio's full operation.

INVESTIGATIONS

Imprest Fund Theft

A USIA employee stole \$675 from an imprest fund by falsifying numerous taxi voucher reimbursement forms.

The Report of Investigation has been forwarded to the Office of the U.S. Attorney.

Time and Attendance Fraud

Time and attendance record alterations of annual leave balances by a USIA employee amounted to a monetary equivalent gain of \$844. The OIG report was forwarded to the USIA Office of Personnel for disciplinary action and to the Financial Operations Division for the recoupment of funds.

Based on the investigative findings, the employee was suspended for 30 days and recoupment action initiated. In addition, letters of warning were sent to two immediate supervisors and two other officials for their failure to follow established time and attendance procedures.

Misuse of Government Time, Material, and Resources

A former Bureau of Broadcasting supervisor used U.S. Government time, material, and resources for personal gain and also misused the government procurement system to purchase material for his personal aircraft.

Acknowledging his guilt, the employee received a 60-day suspension and was barred from any future overseas assignment. He also agreed to retire from the Foreign Service at his earliest eligibility date, June 30, 1993, which he did.

FOLLOW-UP ACTIONS

FINANCIAL MANAGEMENT

USIA Diligent in Seeking Savings on International Airline Travel

Inspector General Finding:

USIA could realize significant savings if its Travel Management Center (TMC) were to provide rebates for both international and domestic airline travel. Other Federal agencies with significant international travel could also realize savings. (Semiannual Report, March 31, 1993, page 1.)

Action:

As a result of USIA's diligence in pursuing alternative TMC arrangements, in response to OIG recommendations, USIA estimates it could save \$500,000 annually on international travel. USIA has been meeting with the Department of State, the Agency for International Development and the General Services Administration (GSA) regarding this issue and has reported that GSA's General Counsel is considering allowing the inclusion of international rebates in civilian TMC contract solicitations. Regardless of GSA's position on international rebates, USIA is taking the necessary steps for negotiation of an increase in the domestic revenue share when the current TMC contract expires.

Decision on Financial Management System Scheduled for Fiscal Year 1994

Inspector General Finding:

Development of USIA's plans to integrate its existing core accounting and key subsidiary systems, as reported in USIA's fiscal year 1992 Federal Managers' Financial Integrity Act report, has been postponed 1 year to August 31, 1993. (Semiannual Report, March 31, 1993, page 2.)

Action:

The decision on USIA's core accounting system is now scheduled to be made in fiscal year 1994, following completion of a detailed functional area analysis and a cost-benefit analysis.

OVERSEAS POST MANAGEMENT

Staffing Level Reduced at USIS Philippines

Inspector General Finding:

A number of areas were identified at USIS Philippines where efficiency could be improved and economies effected. (Semi-annual Report, March 31, 1993, pages 13 and 14.)

Action:

As of September 30, 1993, 19 of 35 recommendations made by OIG had been closed and 16 remained open or partially completed. As a result of these recommendations, the post's Foreign Service National employment ceiling, at the close of fiscal year 1993, had been reduced from 68 to 63 for an annual savings of approximately \$30,000.

Additional reductions, primarily in the post's information section, are planned for fiscal year 1994 and beyond. Other savings consist of the reduction of prior year obligations by \$9,130 and a reduction in the dissemination of distribution and records system materials by \$3,400 per annum. Recommendations that have yet to be implemented include those relating to property accountability and the consolidation of the cultural and library staffs in the Thomas Jefferson Cultural Center. The consolidation effort, when effected, could result in annual savings of approximately \$50,000.

SEVILLE EXPO '92

Settlement Reached on Construction Costs

Inspector General Finding:

U.S. Navy costs for the design and construction management of the U.S. Pavilion in Seville, Spain on behalf of USIA exceeded authorized funding by \$2.6 million. (Semiannual Report, September 30, 1992, page 1.)

Action:

In June 1993, USIA received Congressional re-programming approval and a final settlement of \$1.4 million was reached with the construction contractor.

**Settlement Reached
on Gift Shop and
Restaurant Operator**

Inspector General Finding:

USIA entered into an agreement with Nakis Exposition Services (NES) to operate a restaurant and a gift shop at the U.S. Pavilion. The Commissioner General suspended the services of NES for failing to pay delinquent bills and for failing to correct ventilation problems in the restaurant. Other problems in the gift shop were also known to USIA officials. (Semiannual Report, September 30, 1992, page 15.)

Action:

A final negotiated settlement of \$45,500 was reached with NES in September 1993 and final payment was received by USIA.

**Overtime Compensation
for USIA Employees
Not Granted**

Inspector General Finding:

The associate commissioner general for management in Seville implemented ad hoc policies concerning such matters as compensatory time which were inconsistent with established USIA and Government-wide regulations. For example, employees were allowed to keep track of their own overtime hours and were given credit in lieu of holiday pay with the understanding that at the end of the Expo some "informal" time off with pay would be granted. (Semiannual Report, September 30, 1992, page 15.)

Action:

The General Accounting Office, in a June 11, 1993, decision, stated that there was no basis to grant compensatory time. According to the director of USIA's Exhibits Service, no Agency employees were provided compensatory time.

**\$1 Million Bill for Exhibit
Reduced to \$865,000**

Inspector General Finding:

Maltbie Associates, the contractor for the fabrication and installation of the Bill of Rights exhibit in Seville, billed USIA for about \$1 million, \$250,000 above the cost limitation of the contract. However, since a final negotiated settlement had not been made, the cost of the contract remained undetermined. (Semiannual Report, September 30, 1992, page 2.)

Action:

The \$1 million bill was ultimately reduced through negotiation to \$865,000. An OIG audit which questioned \$411,420 was instrumental in negotiating the final settlement.

CRIMINALITY AND MISCONDUCT INVESTIGATIONS

J-Visa Fraud Results in Criminal Prosecution

Inspector General Finding:

An employee of an educational institution sold fraudulent J-Visa authorization forms for study in the United States to foreign students for approximately \$1,000 each. (Semiannual Report, March 31, 1993, page 12.)

Action:

The case was presented to and accepted by the Office of the U.S. Attorney for criminal prosecution. The employee pled guilty to one count of theft of government property and was sentenced to 2 years probation, ordered to make restitution of \$2,900, and required to perform 100 hours of community service.

Employee Prosecuted for Theft of U.S. Government Funds

Inspector General Finding:

A USIA employee converted numerous money orders amounting to about \$1,400 for her personal use. (Semiannual Report, March 31, 1993, page 12.)

Action:

The case was presented to and accepted by the Office of the U.S. Attorney for criminal prosecution. The employee pled guilty to one count of theft of government property and was sentenced to 2 years probation, ordered to make restitution, and required to perform 50 hours of community service.

PROPERTY MANAGEMENT

Property Management System Scheduled for Implementation in Fiscal Year 1994

Inspector General Finding:

USIA's Property Inventory Accountability System (PIAS) could not accurately account for over \$200 million of non-expendable personal property worldwide. This weakness was first identified in 1985. (Semiannual Report, March 31, 1992, pages 9 and 11.)

Action:

Since October 1990, the Bureau of Management has developed and implemented a mainframe-based property accountability system which has

enabled the property management staff to initiate two domestic and overseas inventory reconciliation requests.

To further improve Agency property management, the Bureau of Management recently purchased an off-the-shelf PC-based property management system and is currently modifying it to Agency specifications for implementation by March 1994. The new system will be used overseas to automate the property management process and will replace the current mainframe system in Washington, D.C.

BROADCASTING OPERATIONS

Cost-Benefit Analysis of the Consolidation of Office of Cuba Broadcasting Delayed

Inspector General Finding:

The Office of Cuba Broadcasting (OCB) plan to consolidate its television (TV Marti) facilities with its Washington, D.C. radio broadcast operations at a cost of \$3.5 million was not cost-effective and should be canceled. The project had not been supported by a detailed cost-benefit review. In addition, it had not been demonstrated that existing TV broadcast facilities were inadequate to meet operational requirements. Also, over \$450,000 worth of TV equipment purchased 7 months earlier was still in storage and should be put to immediate use. (Semiannual Report, March 31, 1993, page 1.)

Action:

A cost-benefit analysis of the office consolidation is scheduled to be completed by the second quarter of fiscal year 1994. Some of the TV equipment that was in storage is now being utilized. The remainder, however, will not be installed until TV Marti funding is decided.

J-VISA PROGRAM

USIA Requests J-Visa Visitor Departure Information From INS

Inspector General Finding:

J-Visa regulations have not enabled USIA to determine whether the visitors it sponsors return to their home countries upon completion of their programs. USIA believes that such a determination is the jurisdiction of the Immigration and Naturalization Service (INS). (Semiannual Report, March 31, 1993, page 4.)

Action:

USIA requested that INS look into the feasibility of providing the departure dates of J-Visa visitors from the United States.

FREE TRADE UNION INSTITUTE

***Actions In Process to
Correct Deficiencies In
Labor-Related International
Visitor Program***

Inspector General Finding:

Programming of labor-related international visitors (IVs) by the Free Trade Union Institute (FTUI), a grantee of USIA's Bureau of Educational and Cultural Affairs (E Bureau), did not provide the elements of balance and diversity the bureau deems necessary to fulfill the intent of the Fulbright-Hays Act. This situation existed, in part, because of the lack of clearly defined standards for balance and diversity in FTUI's agreement with USIA, and inadequate coordination and program evaluation by USIA. In addition, available data indicated that FTUI had the highest average administrative cost per participant of the eight IV programming agencies during fiscal years 1991 and 1992. (Semiannual Report, March 31, 1993, page 2.)

Action:

E Bureau is in the process of taking several corrective actions. First, balance and diversity requirements needed to fulfill the intent of the Fulbright-Hays Act are to be made part of the fiscal year 1994 grant agreement. Second, the fiscal year 1994 administrative budget for FTUI was reduced \$50,000 from the fiscal year 1993 level. Third, E Bureau will increase its program coordination and evaluation efforts.

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APPENDIX A

REPORTS ISSUED AND PENDING

Report No./ Issue Date	Title	Questioned Costs		Funds Put To Better Use
		Total	Unsupported	
INSPECTION REPORTS				
Pending *	USIA Programs in Central America	\$ 24,097	-0-	\$ 102,300
AUDIT REPORTS				
Internal and Management Audits				
ALR-93-22 6/18/93	Fulbright Senior Scholar Program	-0-	-0-	-0-
ALR-93-33 8/04/93	Inappropriate Use of Federal Funds at a USIS Post	\$ 11,755	-0-	-0-
ALR-93-35 9/10/93	Equipment Loaned to a Contractor	-0-	-0-	-0-
Pending *	USIA Compliance with Internal Revenue Service Forms 1099 Information Return Reporting Requirements	-0-	-0-	\$1,400,000
Pending *	Bureau of Broadcasting Mobile Broadcast Studio	-0-	-0-	-0-
Grant and Contract Audits				
ALR-93-18 9/30/93	Financial Management of USIA Grant to Eisenhower Exchange Fellowships, Inc.	-0-	-0-	-0-
ARR-93-23 9/08/93	USIA Grant Agreements with the Points of Light Foundation	\$105,597	\$105,597	-0-
ARR-93-24 9/27/93	Meridian International Center	\$ 47,617	-0-	-0-
TOTAL:		\$189,066	\$105,597	\$1,502,300

* Agency comments have been received on these reports, which are in final processing.

...Appendix A - Continued

**Report No./
Issue Date**

Title

Accounting System Surveys

ALR-93-20 5/12/93	Van Slycke and Reeside Travel to Youth for Understanding, Inc.
ALR-93-23 6/17/93	California Association of Student Councils
ALR-93-24 6/24/93	United Studies, Inc.
ALR-93-25 6/23/93	World Experience
ALR-93-27 7/07/93	International Cultural Exchange Services, Inc.
ALR-93-28 7/08/93	International Education Forum
ALR-93-29 6/30/93	Colorado River Watch Foundation
ALR-93-30 7/14/93	Institute for Training and Development, Inc.
ALR-93-31 7/30/93	Adventures in Real Communication-Year Program, Inc.
ALR-93-32 7/30/93	Cultural Academic Student Exchange, Inc.
ALR-93-34 9/14/93	PACE Institute International
ALR-93-36 9/29/93	Seven First-Time USIA Grantees Under the Freedom Support Act

Indirect Cost/Provisional Rates Proposal Reviews

ALR-93-19 5/12/93	International Research and Exchanges Board
ALR-93-21 4/28/93	National Association of Foreign Student Affairs
ALR-93-26 8/17/93	Lawyers Alliance for World Security

APPENDIX B

INVESTIGATION ACTIVITIES**Investigative Inventory**

Pending - Beginning of Period	54
Opened During Period	21
Closed During Period	9
Pending - End of Period	66

Hotline Calls

Number Received	2
Investigations Initiated	0
Referred to Agency Management	0
Closed - No Action Taken	2

Investigative Results

Disciplinary Actions Taken	3
Corrective Actions Taken	4
Recoveries/Restitutions	\$3,025
Pending Department of Justice	
Prosecutorial Review	6
Pending USIA for Administrative/	
Disciplinary Action	5

APPENDIX C

REPORTS WITH QUESTIONED COSTS

		<u>Dollar Value of Questioned Costs (in thousands)</u>		
	<u>Number of Reports</u>	<u>Total Costs</u>	<u>Unsupported Costs*</u>	
I	Reports subject to a decision by management:			
a.	During prior reporting periods	14	\$4,340	\$2,901
b.	During current reporting period	<u>4</u>	<u>189</u>	<u>106</u>
c.	Total	18	\$4,529	\$3,007
II	Reports for which decisions were made during this period:			
a.	Dollar value of disallowed costs	2	\$ 352	\$ 255
b.	Dollar value of costs not disallowed	<u>2</u>	<u>425</u>	<u>399</u>
c.	Total	2**	\$ 777	\$ 654
III	Reports for which no decisions were made by the end of the reporting period:			
		16	\$3,752	\$2,353
IV	Reports for which no decisions were made within six months of issuance:			
		12	\$3,563	\$2,246

* Amounts are also included in Total Costs.

** Two reports contained both disallowed costs and costs not disallowed.

APPENDIX D

**REPORTS WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE**

	<u>Number of Reports</u>	<u>Dollar Value (in thousands)</u>
I Reports subject to a decision by management:		
a. Issued during prior reporting periods	4	\$3,994*
b. Issued during current reporting period	2	<u>1,502</u>
c. Total	6	\$5,496
II Reports for which decisions were made during this period:		
a. Recommendations with which management agreed	1	\$ 46
b. Recommendations with which management did not agree	<u>0</u>	<u>0</u>
c. Total	1	\$ 46
III Reports for which no decisions were made by the end of the reporting period:	5**	\$5,450
IV Reports for which no management decision was made within six months of issuance:	2***	\$ 448

* \$45,500 (attributable to Report A-93-02) of this total amount was not reported in prior periods because no amount could be estimated at the time the report was issued.

** OIG report A-90-29, and the pending inspection report on Central America, also have questioned costs and are included in Appendix C.

*** OIG report A-90-29 also had questioned costs and is included in Appendix C.

APPENDIX E

**REPORTS FOR WHICH NO MANAGEMENT DECISION
HAS BEEN MADE WITHIN 6 MONTHS OF ISSUANCE****AMERICAN COUNCIL OF LEARNED SOCIETIES**

The report, issued on September 28, 1990, made recommendations about questioned costs and accounting system deficiencies. The contracting officer has resolved all the accounting system recommendations. However, the contracting officer has not made a decision on recommendations of \$370,843 in funds put to better use. Questioned costs of \$239,613 in legal fees are under final review by the Office of Contracts. A decision regarding this matter is scheduled to be made during the next reporting period. (Report No. A-90-29)

STAPLES & CHARLES, LTD.

An audit report on compliance with the Truth-in-Negotiations Act was issued on December 10, 1992, and disclosed that because of apparent defective pricing, the contract was overstated by \$77,357. A decision on the funds to be put to better use will be made during the next reporting period. (Report No. A-92-27)

An audit report, issued on March 2, 1993, made recommendations to disallow \$18,225 in questioned costs. A decision on the questioned costs will be made during the next reporting period. (Report No. A-93-03)

INTERNATIONAL DEVELOPMENT EXCHANGE

The report, issued on November 4, 1992, made recommendations about questioned costs and accounting system deficiencies. Questioned costs of \$59,498 are under review by the Office of Contracts. A decision regarding these matters is scheduled to be made during the next reporting period. (Report No. A-92-24)

NATIONAL ENDOWMENT FOR DEMOCRACY

NED has disallowed \$115,827 out of \$3,245,821 in subrecipient expenditures questioned by OIG. NED allowed \$2,876,222 of the total questioned costs and has deferred action on \$253,772 pending the completion of an OIG investigation of the subrecipient. USIA's Office of Contracts is reviewing these determinations and expects to make decisions during the next reporting period. (Report Nos. A-92-10, A-92-12, A-92-13, A-92-14, A-92-15, A-92-16, A-92-18, A-92-19, A-92-23)

APPENDIX 2

DEBTS OWED TO USIA

In accordance with the Senate Committee on Appropriations report on the Supplemental Appropriations and Rescission Bill of 1980, the following chart shows preliminary, unaudited figures provided by USIA on appropriation-funded debts that were owed, overdue, or resolved during the 6-month period that ended on September 30, 1993.

	<u>Balance</u>	<u>Overdue</u>	<u>Resolved During Period</u>
March 31, 1993	\$397,737	\$173,160	\$378,847
September 30, 1993	\$660,728(1)	\$199,042(2)	\$242,318(3)

(1) Includes new debts accrued (during 6 months) of \$505,309.

(2) Overdue accounts include three bankruptcy cases:

- a. \$77,904
- b. \$ 2,271
- c. \$ 4,542

(3) This includes cash refunds, compromises, waivers and write-offs.

APPENDIX G

**INDEX OF INSPECTOR GENERAL ACT REPORTING REQUIREMENTS
CROSS-REFERENCED TO THIS SEMIANNUAL REPORT**

The following information, as requested by OMB memorandum dated October 26, 1992, sets forth OIG's compliance with Section 5 of the Inspector General Act of 1978, as amended by P.L. 100-504, October 18, 1988:

	Activities	Location in Report
5 (a)(1)	Significant problems, abuses, and deficiencies this period	"Digest" (Pages 1 and 2)
5 (a)(2)	Recommendations for corrective action regarding the above	"Operational Activities" (Pages 4-8)
5 (a)(3)	Significant recommendations in previous reports not completed	"Follow-Up Actions" (Pages 9-14)
5 (a)(4)	Matters referred to prosecutive authorities	"Investigations" (Page 8)
5 (a)(5)	Reports made to Agency head under section 6(b)(2)	None
5 (a)(6)	Listing of audit reports with cost data	Appendix A (Pages 15 and 16)
5 (a)(7)	Summary of each significant report	"Operational Activities" (Pages 4-8)
5 (a)(8) (A),(B), (C),(D)	Statistical tables regarding management decisions on questioned costs	Appendix C (Page 18)
5 (a)(9) (A),(B), (C),(D)	Statistical tables regarding management decisions on recommendations that funds be put to better use	Appendix D (Page 19)
5 (a)(10)	Summary of audit reports for which no management decision has been made within 6 months of issuance	Appendix E (Page 20)
5 (a)(11)	Significant revised management decisions	None
5 (a)(12)	Significant management decision with which the Inspector General is in disagreement	None

PRINCIPLES OF ETHICAL CONDUCT FOR GOVERNMENT OFFICERS AND EMPLOYEES



To insure that every citizen can have complete confidence in the integrity of the Federal Government, each Federal employee shall respect and adhere to the fundamental principles of ethical service as implemented in regulations promulgated under sections 201 and 301 of this order:

- (a) Public service is a public trust, requiring employees to place loyalty to the Constitution, the laws, and ethical principles above private gain.
- (b) Employees shall not hold financial interests that conflict with the conscientious performance of duty.
- (c) Employees shall not engage in financial transactions using nonpublic Government information or allow the improper use of such information to further any private interest.
- (d) An employee shall not, except pursuant to such reasonable exceptions as are provided by regulation, solicit or accept any gift of other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the employee's agency, or whose interests may be substantially affected by the performance or nonperformance of the employee's duties.
- (e) Employees shall put forth an honest effort in the performance of their duties.
- (f) Employees shall make no unauthorized commitments or promises of any kind purporting to bind the Government.
- (g) Employees shall not use public office for private gain.
- (h) Employees shall act impartially and not give preferential treatment to any private organization or individual.
- (i) Employees shall protect and conserve Federal property and shall not use it for other than authorized activities.
- (j) Employees shall not engage in outside employment or activities, including seeking or negotiating for employment, that conflict with official Government duties and responsibilities.
- (k) Employees shall disclose waste, fraud, abuse, and corruption to appropriate authorities.
- (l) Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those—such as Federal, State, or local taxes—that are imposed by law.
- (m) Employees shall adhere to all laws and regulations that provide equal opportunity for all Americans regardless of race, color, religion, sex, national origin, age, or handicap.
- (n) Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards promulgated pursuant to this order.

Excerpt from Executive Order 12674 of April 12, 1989.

FOR ADDITIONAL INFORMATION OR COPIES

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USIA

REPORT - FRAUD, WASTE, ABUSE

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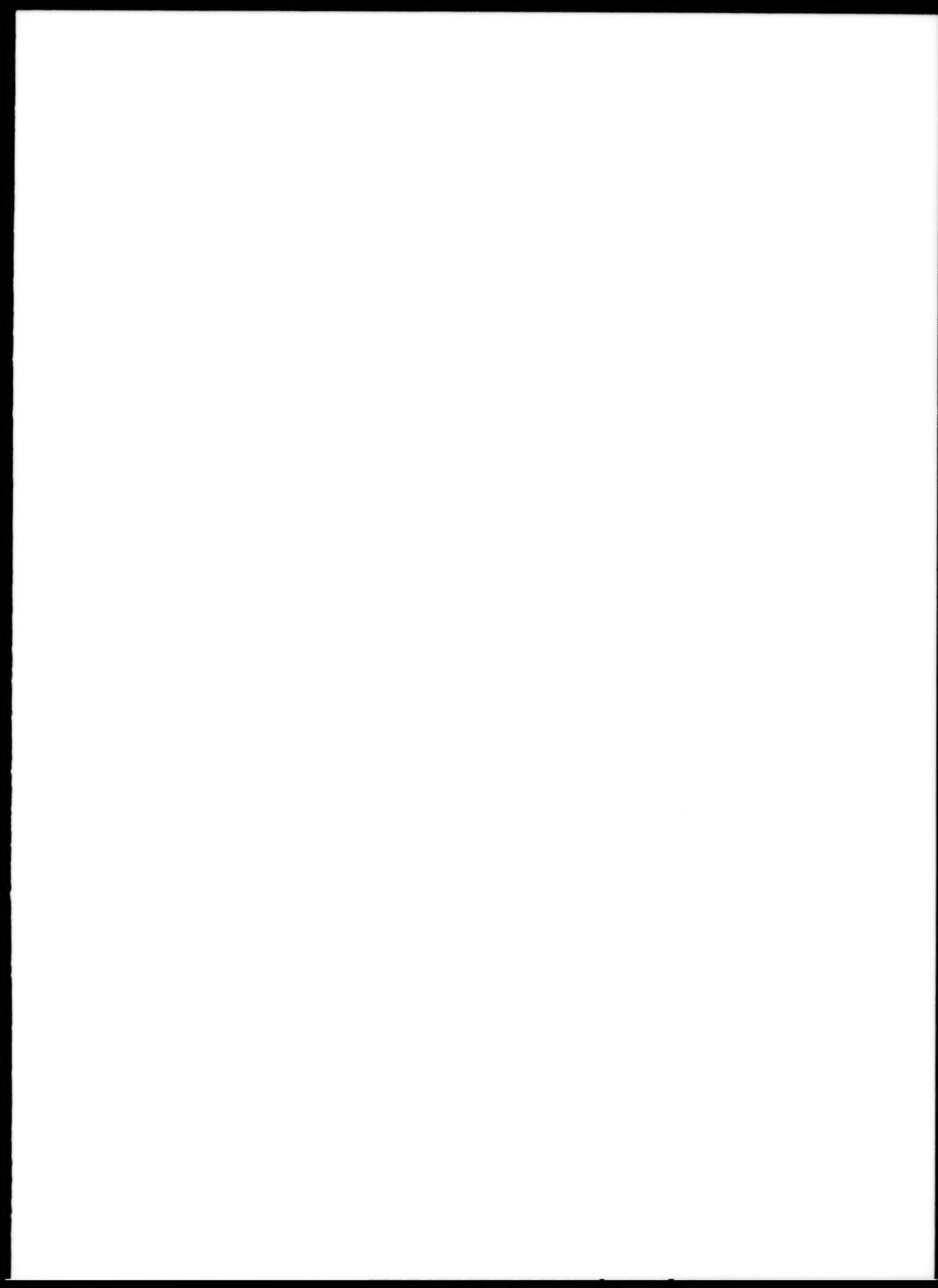
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Provide the following: Who, What, When, Where, Why and How.



END

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